

Testimony of

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National Commission to Ensure Consumer Information and
choice in the Airline Industry

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My name is Cindy Tyo and I am the General Manager of Travel Travel in Fargo, North Dakota. We are a privately owned travel agency that opened its doors in 1986 and currently has 8 employees. Our owner's name is Dave Ekman.

I have been in the travel industry for 23 years. During this time as a travel agent, I have managed large corporate accounts, oversaw company accounting books, and opened a new agency office. Today, I want to speak openly and honestly of issues that happened to me as a travel manager. My testimony outlines the economic constraints implemented by the airlines to force travel agents out of the marketplace. In stating so, I hope the airlines and the Global Distribution Systems (GDS) plan no retaliatory action against my agency.

Now is the time for travel agents to stand up and convey the message to the public that the airlines are forcing agents from the marketplace. History shows that prior to this date, travel agency managers and owners were restricted and/or frightened by guidelines set forth by the Airline Reporting Corporation (ARC), airline contracts and GDS contracts. It is a fact, that at any given time, an agent's right to issue airline tickets can be taken away without any warning or notice by a carrier. The reason this happens to travel agents is that the airlines, in some circumstances, are partners or involved with the companies setting these unfair guidelines. Additionally, travel agents spend too much time arguing about ARC debit memos and service fees with the airlines. As a result, agencies across the country are losing valuable time and dollars dealing with complex, and outrageous

airline guidelines. The simple truth is travel agents are inundated with these unnecessary policies that we sometimes come close to forgetting the most important part of our job.... **taking care of the customer by making sure they receive proper and unbiased travel information.**

Based on available evidence, Travel Travel believes the following to be true:

1. ARC has the right to share our sales information with each and every airline that is a part of ARC. Imagine, what could happen in other types of businesses if the same practices were accepted. Not only do the airlines know our market share; they use it against us by sharing the information with my competitors down the street. For example, my colleague has informed me that they were able to obtain information about their competitors from an airline sales representative. This is the type of bad business practices that travel agents are forced to deal with. Would anybody call that fair?
2. Almost every travel agent has received debit memos from the airlines. In my case, the stated reason for one of our agency's memos was "commission deducted on the exchange transaction exceeds the amount allowed." After researching the memo, we found no real evidence that suggests why this memo was even issued. These particular tickets were issued prior to zero commission; however, the passenger made an exchange on the original tickets after zero commissions had taken effect. Subsequently, the client canceled the ticket leaving a credit towards another purchase with the airline. The airlines are now asking for the commission on the original ticket that was issued prior to zero commission. This will have a severe impact on my agency's economic outlook. Simply stated, these debit memos have a serious affect on our profits.
3. Travel agencies are continuing to receive debit memos after 9-11. The reasons for our memos are because we refunded partial tickets. We even refunded tickets for some clients who had booked on the Internet. This bringing to the surface a core

problem with Internet bookings. Consumers are left to fend for themselves in a time of a real crisis. At the same time the airline industry received bailout money from each and every taxpayer, they began recalling our commissions, which were ironically included in their loss calculations.

4. Churning per Northwest Airlines ARC Addendum No.2 Section 3.B. By researching our records we found it was due to all the schedule changes that Northwest Airlines had done after September 11 and per their verbal instructions. Our research began by pulling the Passenger Name Record (PNR) history. Through our GDS we were able to determine that we were not at fault. Again, Northwest Airlines charged a \$50.00 fee for all their scheduled changes.
5. American Airlines announced that on June 24 it would stop issuing paper tickets for domestic service by next March and set a deadline of December 2003 for international flights. In the interim, as of July 2, 2002 American Airlines is doubling the amount it charges customers for requesting a paper ticket when an e-ticket is available. The fee will increase from \$10 to \$20. This announcement came through as I was working on my testimony and I am sure I will get a better handle on this issue in days ahead. American Airlines will once again pass their costs on to the consumer while effectively limiting consumer choice.
6. We had a call from one of our clients the other day who could not understand why the airlines were losing so much money and were unable to pay commissions to travel agencies anymore. We told our client that the airlines had to cut distribution costs. When this client went online to UAL.com she found her ticket at half the price we had quoted her. Later that day I called my United Airlines sales representative and told him what our client had said. His answer was "I don't know why, UAL.com is my competition." My sales representative's opinion seems to indicate that the airlines are prepared to do whatever it takes to lower their costs even if that means under-cutting their own agency sales force.

7. In the year 1998, our agency's gross airline sales were \$2,532,362.64 with commission revenue at \$175,192.64. In 1999, it was \$2,759,624.73 in air sales with commission revenue at \$173,574.36. In 2000, air sales were \$2,377,694.61 with commission revenue at \$107,020.84 and in 2001, air sales were \$2,537,799.38 with revenue at \$107,034.89. As of June 20 this year, our total air sales were \$1,157,254.81 with revenue at \$22,709.20. Based on our ARC gross sales, you will see we have solidly maintained our customer base and confidence with our expertise. We hang in with our customers and they have been consistent in their loyalty to us. However, in the last several months our customers have been questioning the prices we quote them vs. going directly to individual airline web sites and/or to Orbitz. I would like you to note that with the continued decrease in commission revenues there has been an increase in the amount of work in researching and processing an airline ticket.

An airline cannot expect to ask agents to enter into a legally binding contract; then set about to change the terms of that contract. For example, airlines changed the level of capital an agent must have in the business, they impose rules covering accounting, selling tickets, security and they even make changes that affect our staffing and staff training. It does not end there as the airlines have open access to an agent's bank account for weekly ARC payments. For all of these imposed restrictions, I cannot expect not to be paid for the work I do on a **carrier's behalf**. If an airline wants cost recovery, then that cost recovery rightly belongs in the fare set by the airline for passenger carriage.

The above testimony outlines a few of the reasons why I am here today. I believe we need to be treated fairly and without the constraints of an unfair playing field.

We are asking the government to step in and protect our rights!